Westar Group Ltd.

1994 Annual Report

Comparative Financial Highlights

	1994	1993
	(Expressed in thousands of dollars, except earnings per share)	
Revenue	**$ 98,677**	$ 83,422
Operating earnings	**$ 35,023**	$ 26,306
Earnings from continuing operations	**$ 19,944**	$ 4,159
Net earnings	**$ 20,444**	$ 71,133
Net earnings per share	**$ 0.06**	$ 0.37
Cash provided from operating activities	**$ 32,849**	$ 14,507
Current and long term debt	**$ 280,269**	$ 319,111
Shareholders' equity (deficit)	**$ (110,433)**	$ (130,877)

With the completion of the sale of the Company's forest products and petroleum operations in 1993, 1994 is the first year in which Westar Group has been able to focus on its sole remaining operation, the bulk coal loading facility at Roberts Bank operated by the Company's wholly-owned subsidiary, Westshore Terminals Ltd.

1994 also saw the completion of the restructuring of the Company, which was approved by the Shareholders at the Annual Meeting in June of 1994. The restructuring resulted in the issuance by the Company on September 2, 1994 of an additional 450.3 million common shares, of which 254.5 million are voting common shares and the remaining 195.9 million are convertible, non-voting common shares. The debt owed by Westar Group Ltd., which was acquired in January 1994 by 461847 British Columbia Ltd., a company owned by The Jim Pattison Group and the Canadian Imperial Bank of Commerce, was restated on July 15, 1994 as adjusting balance notes with interest being waived for a five-year period.

The adjusting balance notes require repayment of principal quarterly, depending upon the cash flow available from the operations of the Company. On or about March 31, 1995, the first principal repayment of $11.2 million will be made to the holders of those notes, with quarterly payments commencing in June thereafter, depending upon the cash flow available.

At the end of 1994, the bank indebtedness owed by Westshore Terminals was also refinanced at a lower interest cost by a consortium of three banks, which facilities will be more than adequate for the operations of the Company in the future.

During 1994, Westshore Terminals shipped 17.5 million tonnes of metallurgical and thermal coal, as compared to 15.4 million tonnes in the prior year, resulting in an increase in sales revenue to $98.7 million in 1994, as compared to $83.4 million in 1993. Operating earnings also rose during the year to $35.0 million, as compared to $26.3 million in 1993. As a substantial portion of the costs of the Company are of a fixed nature, operating earnings will both rise and fall disproportionately to sales levels. Administrative expenses in 1994 increased over the levels incurred in 1993 but they include costs of the 1994 restructuring and the ongoing costs of the lawsuit in Calgary involving the sale of the Petroleum company in 1993. Financing costs incurred by the Company have declined substantially in 1994, primarily as a result of the waiver of interest on the adjusting balance notes from July 15, 1994 onwards.

The net result of the improvement in operations at Westshore Terminals and the reduction in interest costs in the year has produced earnings from continuing operations of $19.9 million for 1994 as compared to $4.1 million for 1993.

The earnings per common share for the year of 6¢ per share is based on the weighted average number of shares outstanding during the year. If that calculation had been made on the number of shares outstanding at the end of the year, it would have resulted in an amount of 3¢ per share.

Increased volumes of coal were handled by Westshore Terminals in the second half of the year as compared to the volumes handled in the first six months. This increase has come from additional markets being developed by the Company's major customers and the increased competitiveness of the Canadian mines serviced by the Terminal, both as a result of the decline in the comparative value of the Canadian dollar and efficiencies achieved at the mine sites. The increased number of customers for the mines is resulting in increased costs being experienced at the Terminal.

The sales revenue of the Company is to a great degree outside of its control as it is dependent upon the changes in the world coal markets and other factors outside of the control of the Company. At this time, Westshore Terminals anticipates handling a volume of coal in 1995 higher than the volumes handled in 1994.

ON BEHALF OF THE BOARD

P. Nicholas Geer
Chairman and President
February 28, 1995

General

Westar Group Ltd.'s ("Westar") business consists of a bulk coal loading port facility in Delta, British Columbia which is operated by its wholly-owned subsidiary, Westshore Terminals Ltd. ("Westshore"). In 1994, the Company restructured its bank debt, which at the end of 1993 totalled $319 million. In 1993, the Company completed the first stage of its reorganization with the sale of all of its remaining timber and petroleum operations.

Debt Restructuring

On January 20, 1994, 461847 British Columbia Ltd. ("461847") a company equally owned by The Jim Pattison Group ("JPG") and the Canadian Imperial Bank of Commerce ("CIBC") purchased, at a discount, debt of $220 million owed by Westar to its lenders (exclusive of the debt owed by Westshore to its lender).

On April 15, 1994, Westar and 461847 entered into a Master Restructuring Agreement approved by shareholders on June 30, 1994 for the purpose of restructuring the $220 million debt. The terms of the agreement were detailed in Westar's Management Information Circular dated May 19, 1994 and in 461847's Prospectus dated July 7, 1994 issued in support of a Rights Offering. The agreement provided for a restatement of the debt into adjusting balance notes ("Notes") having a seven-year term. For the first five years, interest on the Notes is waived (other than in certain limited situations) with interest payable during years six and seven at 12% per annum if the Company's cash resources allow, failing which the interest would be capitalized and be repayable at the end of the term. Principal repayment obligations with respect to the Notes are determined based on the excess cash flow available from the Company (defined broadly as cash flow in excess of working capital needs, permitted capital expenditures and debt service requirements). With respect to the period July 15, 1994 to December 31, 1994, the amount of principal repayment required on the Notes is $11,204,000. These monies are to be paid to the Noteholders on or about March 31, 1995. Further quarterly principal payments in 1995 will depend on the future excess cash flow available. In addition, the restructuring calls for repayment of the debt by July 15, 2001. However, Westar's obligation to retire the debt is limited in that it will not be obligated to borrow more than $100 million to repay any remaining Westshore debt and the then outstanding balance of the now $216 million Westar debt. To the extent a borrowing of $100 million is insufficient to repay the debt, the restructuring calls for the remaining amount to be satisfied by the issuance of preference shares.

The final stage in the restructuring plan was completed on August 31, 1994 when the Rights Offering by 461847 was concluded. The Rights Offering was carried out in accordance with the provisions of the Master Restructuring Agreement. Distributed to persons who exercised Rights were approximately $108 million of Notes, representing one-half of the approximately $216 million of Westar debt held by 461847 immediately prior to the Rights Offering. The remaining $108 million of Notes was retained by 461847. The subscription price paid to 461847 by persons exercising the Rights was $0.312 for each $0.56 principal amount of Notes, approximating the discounted cost at which 461847 purchased the original bank debt plus expenses. Also, as part of the Rights Offering, Westar issued to persons who exercised Rights to acquire Notes and to 461847, 1.166666666 shares from treasury for each $0.56 principal amount of Notes held. A total of 450,318,424 new shares of Westar were issued. Of these new shares, 254,450,550 were common shares and the remaining 195,867,874 were non-voting shares. Following this issuance, Westar's outstanding share capital consisted of a total of 447,444,220 common shares (10,279,940 of

which were represented by bearer share certificates and do not carry a right to vote) and 195,867,874 non-voting shares.

Of the new shares described above, 225,159,282 were issued to 461847 (186,547,989 common shares and 38,611,293 non-voting shares). 461847 subsequently transferred its interest in these shares, along with the $108 million Notes held, on a pro-rata basis to its equal shareholders, CIBC and No. 34 Seabright Holdings Ltd. (an affiliate of JPG). Following the transfer, CIBC held $54 million of Notes and 93,273,995 common shares and 19,305,646 non-voting shares of Westar. These shares represent 21.34% of the voting shares and 17.50% of the total outstanding shares of Westar. JPG, together with its previous holdings in Westar, held $129.5 million of Notes and 120,936,508 common shares and 176,562,228 non-voting shares of Westar following the transfer. These shares represent 27.66% of the voting shares and 46.24% of the total outstanding shares of Westar.

Westshore Refinancing

In addition to the Westar debt of $220 million at December 31, 1993 described above, Westshore had bank debt of $99 million. This bank debt had been in default since October 7, 1992 because of non-payment of principal amounts due. Under a standstill arrangement negotiated with its lender, Westshore was required to repay the loan with all cash flow generated from operations, with certain allowances for working capital requirements. On May 1, 1994, the loan, at the then outstanding balance of $85 million, was renegotiated by Westshore and its lender with new repayment terms. On December 20, 1994, the outstanding balance of this loan was repaid in full by means of a new loan facility with three Canadian chartered banks which provided for a reducing revolving five-year term loan of $75 million with a standby facility of $10 million to provide for additional working capital needs if required. The standby facility was cancelled by the Company in early 1995. The new facility of $75 million has requirements for quarterly principal reductions of $1.25 million during years one and two and quarterly principal reductions of $2.5 million during years three through five. The new facility eliminates the annual fees and provides for lower interest rates than did the previous loan agreement and allows excess cash flow (that is, cash flow in excess of Westshore's working capital needs, permitted capital expenditures and new debt service requirements) to be paid by Westshore to Westar which must then be used to pay down the $216 million principal amount of Notes outstanding.

Financial Condition, Liquidity & Capital Resources

As a result of the restructuring and refinancing described above, Westar's financial condition improved in 1994 as compared to 1993.

Net working capital improved in 1994 to $7.2 million from a deficit of $(289.4) million in 1993 primarily as a result of restructuring current debt into long term debt.

Westshore's capital expenditures during 1994 were $2.3 million as compared to $1.3 million in 1993 and were primarily those necessary for the maintenance of the business. In addition to normal maintenance expenditures, Westshore anticipates spending $1.6 million for moving certain rail tracks and $1.3 million on pollution control measures in 1995. There are no other significant requirements for major capital expenditures known at the present time.

Currently, Westar's only sources of liquidity and capital resources is Westshore's operating cash flow and its revolving bank facility. These two sources are expected to be adequate to meet all of the Company's obligations as they come due as well as provide the necessary level of funds for maintenance capital in 1995.

Results of Operations

Westar's revenue in 1994 increased to $98.7 million from $83.4 million in 1993 as a result of higher throughput volume at Westshore. The Terminal increased its volume of coal tonnage shipped to 17.5 million tonnes in 1994 as compared to 15.4 million tonnes in 1993 as a result of greater demand for coal on Westshore's six major mine customers. Demand for Canadian coal improved during 1994 as a result of the weakening Canadian dollar making the price of Canadian coal more attractive in world markets (which is priced in U.S. dollars).

While increasing in aggregate, operating and administrative costs decreased as a percentage of sales from 56.1% in 1993 to 54.0% in 1994. Since the operation of Westshore is largely of a fixed cost nature, these costs do not increase proportionately with sales. Financing costs decreased from $21.9 million to $14.8 million year over year largely as a result of the restructuring of Westar debt providing for a waiver of interest for the first five years of its term, commencing July 15, 1994. Had interest been payable on the Notes for the full year, operating earnings would have been significantly reduced.

Overall, earnings from continuing operations show an improvement, from $4.2 million in 1993 to $19.9 million in 1994. As noted earlier, this increase was achieved as a result of a higher volume of coal shipped through the port as well as a reduction in interest charges resulting from the restructuring of the Company's debt.

Earnings in 1993 include $67.0 million from discontinued operations, primarily from the sale of all remaining timber and petroleum operations.

No amount has been recorded in the financial statements with respect to the refund of countervail duties, which were deducted from the Company's prior forest products operations and for which the Company anticipates repayments to begin in the second quarter of 1995. Additional risk factors affecting earnings include potential labour problems in the rail industry, which is a vital link in transporting coal to end users, as well as a lawsuit in the amount of $27 million against the Company arising from the sale of Westar Petroleum Ltd. in 1993 which is still ongoing. The Company is of the view the lawsuit is without merit, although no resolution of the suit has yet been obtained.

Management's Responsibility

To the Shareholders of Westar Group Ltd.

The consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the preparation and presentation of the information contained in these consolidated financial statements and other sections of this Annual Report. To fulfill this responsibility, the Company maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are properly executed in accordance with management's authorization.

Coopers & Lybrand, the auditors appointed by the shareholders, have reviewed the systems of internal control and examined the consolidated financial statements. Their examinations were made in accordance with generally accepted auditing standards to enable them to express to the shareholders their independent professional opinion on the fairness of these financial statements. Their opinion follows.

The Board of Directors establishes that management fulfils its responsibilities for financial reporting and internal control through an Audit Committee which is composed of three directors two of whom are neither executive officers nor employees of the Company. This committee meets annually with the auditors and management to review their activities and reviews with them the consolidated financial statements before they are presented to the Board of Directors for approval. The auditors have full and direct access to the Audit Committee.

Auditors' Report

To the Shareholders of Westar Group Ltd.

We have audited the consolidated balance sheets of Westar Group Ltd. as at December 31, 1994 and 1993 and the consolidated statements of earnings and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Coopers & Lybrand

Chartered Accountants
Vancouver, B.C.
February 24, 1995

Consolidated Balance Sheets

As at December 31, 1994 and 1993

(Expressed in thousands of dollars)

	1994	1993
ASSETS		
Current Assets		
Cash	**$ 23,390**	$ 31,139
Accounts receivable	**1,342**	3,183
Inventories	**4,920**	4,844
Prepaid expenses	**3,854**	2,696
	33,506	41,862
Property, Plant and Equipment		
At cost	**247,326**	245,954
Accumulated depreciation	**(96,718)**	(87,197)
	150,608	158,757
Deferred Pension Costs (note 7)	**2,894**	1,895
	$ 187,008	$ 202,514
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 15,091**	$ 12,199
Current portion of long-term debt (note 2)	**11,204**	319,111
	26,295	331,310
Long-Term Debt (note 2)	**269,065**	–
Deferred Income Taxes	**2,081**	2,081
	297,441	333,391
DEFICIT LESS SHARE CAPITAL AND CONTRIBUTED SURPLUS		
Share Capital (note 3)	**726,003**	726,003
Contributed Surplus (note 3)	**26,379**	26,379
Deficit	**(862,815)**	(883,259)
	(110,433)	(130,877)
	$ 187,008	$ 202,514

Approved by the Directors

P. Nicholas Geer
Director

Donald C. Selman
Director

Consolidated Statements of Earnings and Deficit

For the Years Ended December 31, 1994 and 1993

(Expressed in thousands of dollars, except per share)

	1994	1993
Revenue	$ 98,677	$ 83,422
Expenses		
Operating	44,081	39,501
Administrative	9,168	7,295
Depreciation	10,405	10,320
	63,654	57,116
Operating Earnings	35,023	26,306
Financing costs	(14,785)	(21,858)
Earnings Before Income Taxes and Discontinued Operations	20,238	4,448
Current income taxes (note 6)	(294)	(289)
Earnings from Continuing Operations	19,944	4,159
Earnings from Discontinued Operations (note 1)	500	66,974
Net Earnings	20,444	71,133
Deficit, Beginning of Year	(883,259)	(954,392)
Deficit, End of Year	$ (862,815)	$ (883,259)
Earnings per Share		
Weighted average number of shares	343,099,812	192,993,670
Earnings from Continuing Operations	$ 0.06	$ 0.02
Net Earnings	$ 0.06	$ 0.37

Consolidated Statements of Changes in Financial Position

For the Years Ended December 31, 1994 and 1993

(Expressed in thousands of dollars)

	1994	1993
Cash Provided from (Used for) Operating Activities		
Earnings from continuing operations	**$ 19,944**	$ 4,159
Depreciation	**10,405**	10,320
Decrease in working capital	**3,499**	1,331
Increase in deferred pension costs	**(999)**	(1,303)
	32,849	14,507
Investing Activities		
Additions to property, plant and equipment	**(2,256)**	(1,323)
Disposal of discontinued operations	**500**	92,532
	(1,756)	91,209
Financing Activities		
Repayment of debt	**(38,842)**	(94,253)
Reduction in minority interest	—	(500)
Repayment of loan receivable	—	4,867
	(38,842)	(89,886)
(Decrease) Increase in Cash	**(7,749)**	15,830
Cash, Beginning of Year	**31,139**	15,309
Cash, End of Year	**$ 23,390**	$ 31,139

(Figures in tables are expressed in thousands of dollars)

1. *Significant Accounting Policies and Basis of Accounting Presentation*

The Company is incorporated under the Company Act of the Province of British Columbia and follows accounting principles generally accepted in Canada when preparing its consolidated financial statements.

Consolidation and Discontinued Operations

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Westshore Terminals Ltd. (Westshore). During 1994, Westar Timber Ltd. and Westar Industries Ltd., also wholly-owned subsidiaries of the Company, were amalgamated with Westshore. The continuing operations reported in these financial statements are those of the coal terminal business.

In previous years, the Company had operations in the coal, forest products and petroleum industries. By December 31, 1993, these business units were substantially disposed of and, accordingly, results from operations and gains on the sale of the investments are reported as earnings from discontinued operations as follows:

	1994	1993
Coal	$ **500**	$ 946
Forest products	**—**	63,339
Petroleum	**—**	2,689
	$ **500**	$ 66,974

Inventories

Inventories of spare parts and supplies are valued at average cost less a provision for obsolescence.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided using a unit-of-production method based on the estimated useful life of the assets.

2. *Long-Term Debt*

	1994	1993
Westar Group Ltd. —		
Adjusting Balance Notes	$ **216,153**	$ —
Secured credit facility	**—**	219,776
Westshore Terminals Ltd. —		
Revolving term loan	**64,116**	—
Secured credit facility	**—**	99,335
	280,269	319,111
Less: Current portion	**11,204**	319,111
	$ **269,065**	$ Nil

Westar Group Ltd.

The Company's secured credit facility had been in default since September 1992, and as the lenders were in a position to demand immediate repayment, the facility was classified as a current liability at December 31, 1993. Interest on this debt was accrued but not paid at prime plus 1/4% between September 1993 and January 19, 1994.

On January 20, 1994, 461847 British Columbia Ltd. (461847), a company equally owned by an affiliate of a major shareholder of the Company and a major Canadian chartered bank purchased, at a discount, the debt of $220 million owed by the Company to its lenders.

On April 15, 1994, the Company and 461847 entered into a Master Restructuring Agreement (approved by shareholders on June 30, 1994) for the purpose of restructuring the $220 million debt. The agreement provided for a restatement of the debt into Adjusting Balance Notes (Notes) on July 15, 1994 at which time the outstanding debt was $216 million. The Notes have a seven year term expiring July 15, 2001 at which time the outstanding principal amount plus accrued interest are to be paid in full. For the first five years, interest on the Notes is waived (other than in certain limited situations) with interest payable during years six and seven at 12% per annum if the Company's cash resources allow, failing which the interest would be capitalized and be repayable at the end of the term. Principal repayment obligations with respect to the Notes are determined based on the excess cash flow available from the Company (defined broadly as cash flow in excess of the Company's working capital needs, permitted capital expenditures and debt service requirements) which, for the period July 15 to December 31, 1994, amounts to $11,204,000. This amount has been classified as a current liability at December 31, 1994. The principal payment obligation in future years will depend on the future excess cash flow available and will be paid quarterly.

During the period January 20 to March 31, 1994, the Company paid interest to 461847 at prime plus 1/4% and during the period April 1 to July 14, 1994, it paid interest to 461847 at prime plus 2.32%.

The Company's requirement to repay the debt at July 15, 2001 is limited in that it will not be obligated to borrow more than $100 million to repay any remaining Westshore debt and the then outstanding balance of the Notes. To the extent a borrowing of $100 million is insufficient to repay the debt, the restructuring calls for the remaining amount to be satisfied by the issuance of preference shares.

2. Long-Term Debt (continued)

Westar Group Ltd. (continued)

Substantially all of the Company's assets are provided as security for the Notes.

As part of the Master Restructuring Agreement, 461847 issued to the Company's shareholders Rights to purchase $108 million of Notes, representing one-half of the $216 million of the Company's debt held by 461847 immediately prior to the Rights Offering. All $108 million of Notes were distributed and the remaining $108 million of Notes was retained by 461847. The subscription price paid to 461847 by persons exercising the Rights was $0.312 for each $0.56 principal amount of Notes, approximating the discounted cost at which 461847 purchased the original bank debt plus expenses. Also, as part of the Master Restructuring Agreement, the Company issued, without further payment or other deemed consideration, to persons who exercised Rights to acquire Notes and to 461847, from treasury, on the basis of 1.166666666 shares for each $0.56 principal amount of Notes held, a total of 450,318,424 new shares of the Company. Of these new shares, 254,450,550 are common shares and 195,867,874 are non-voting shares.

Westshore Terminals Ltd.

Demand was made on Westshore's secured facility in October 1992 because of non-payment of a principal amount due. Under a standstill arrangement negotiated with its lender, Westshore was required to repay the loan with all cash flow generated from operations, with certain allowances for working capital requirements. Interest on this loan was paid at prime plus 1/4%.

On May 1, 1994, the loan was renegotiated by Westshore and its lender at the then outstanding balance of $85 million. The term of the facility was four years, with scheduled quarterly repayment of $3,542,000 commencing September 30, 1994 plus all excess cash flow as defined. Interest on the facility was paid at prime plus 1.5% from May 1 to July 15, 1994 and prime plus 1% thereafter. Fees of $400,000 were paid to the lender in 1994 as part of the renegotiation and further fees of $400,000 were required in each of 1995 and 1996.

On December 20, 1994, the outstanding balance of this loan was repaid in full and a new loan facility with three Canadian chartered banks was completed providing a reducing revolving five year term facility of $75 million. The new facility carries requirements for quarterly reductions in the revolving term facility of $1.25 million during 1995 and 1996 and $2.5 million during 1997, 1998 and 1999. Since the outstanding balance of the loan at December 31, 1994 of $64 million was less than the $70 million to which the facility is required to be reduced to by the end of 1995, no amount is classified as a current obligation. The agreement allows for excess cash flow (that is, cash flow in excess of Westshore's working capital needs, permitted capital expenditures and debt service requirements) to be paid by Westshore to the Company which can then be used to pay down the $216 million of Notes outstanding.

The term loan allows funds to be advanced in the form of Canadian or U.S. dollar bankers acceptances or U.S. dollar LIBOR loans. At December 31, 1994, the term loan facility was in the form of Canadian dollar bankers acceptances. The interest rates on the bankers acceptances including a stamping fee at December 31, 1994 ranged between 7.19% and 7.38%.

Substantially all of Westshore's assets have been pledged as first-ranking security for the credit facility under a general security agreement.

3. Share Capital and Contributed Surplus

As part of restructuring its long-term debt in 1994 (note 2), the Company amended its authorized and issued and outstanding share capital as follows:

Authorized —

700 million common shares without par value (1993 — 400 million)

300 million convertible non-voting shares without par value (1993 — nil)

150 million preference shares with a par value of $1.00 (1993 — nil)

In addition, the 100 million preference shares without par value previously authorized were deleted.

The non-voting shares are convertible into common shares at the option of the holders on a one-for-one basis. If, however, as a result of the conversion of non-voting shares, the holder, either alone or together with persons with whom the holder does not deal at arm's length would beneficially own more than 49.9% of the outstanding common shares, the conversion privilege can not be exercised to that extent.

	1994	1993
Issued and outstanding —		
447,444,220 common shares (1993 — 192,993,670)	**$ 726,003**	$ 726,003
195,867,874 convertible non-voting shares (1993 — nil)	**—**	—
	$ 726,003	$ 726,003

3. Share Capital and Contributed Surplus
(continued)

During 1993, the Company purchased the shares of a subsidiary which had been held by a third party. The purchase resulted in $26.4 million being credited to contributed surplus.

The Westar Group Key Employee Stock Option Plan provides for granting to employees of the Company and its subsidiaries options to purchase common shares of the Company. Each option granted under the plan expires after ten years and may be exercised in cumulative annual amounts of 20% on or after each of the first five anniversary dates of the grant.

At December 31, 1994, options exercisable between 1995 and 1997 were outstanding to purchase an aggregate of 10,000 shares at a price of $1.00 per share. No stock options were granted or exercised in 1994.

4. Commitments and Contingency

Operating Leases

The Company is committed under operating leases for the rental of property, facilities and equipment at Westshore to March 1, 2002.

Future required minimum lease payments for the years ended December 31 are as follows:

1995	$ 12,601
1996	12,932
1997	14,647
1998	15,286
1999	15,661
2000 and subsequent years	39,507

Contingency

Subsequent to the 1993 sale of its petroleum operations, Westar Petroleum Ltd., the Company and the purchaser of the Westar Petroleum Ltd. shares were sued by a third party in connection with the sale for alleged damages totalling in excess of $27 million. The Company has obtained a legal opinion which states that the lawsuit against the Company is without merit, although no resolution of the suit has yet been obtained.

5. Related Party Transactions

During 1994, the Company paid management fees of $1.2 million (1993 – $1.2 million) to a major shareholder. Additional related party transactions are described in note 2.

6. Income Taxes

	1994	1993
Earnings before income taxes and discontinued operations	**$ 20,238**	$ 4,448
Income taxes at the statutory combined federal and provincial rate	**$ 9,107**	$ 2,002
Effect on taxes from:		
Application of losses carried forward	**(9,107)**	(2,002)
Large Corporations Tax	**294**	289
Current income tax provision	**$ 294**	$ 289

At December 31, 1994, the Company and its subsidiaries had combined non-capital tax losses in excess of $110 million after taking into account the book value of fixed assets less their tax value. A significant portion of these losses expire between 1995 and 2001. In addition, the Company and its subsidiaries had combined capital losses in excess of $190 million at December 31, 1994. The value of these losses is dependent upon the Company's ability to generate income to use them, the tax rate in effect at the time of use, and the time frame in which they are used. These losses have not been recognized in the accounts of the Company due to uncertainty regarding their use, but will be recognized in the future to the extent they can be utilized to reduce future income taxes.

The Company also has investment tax credits of $4.2 million available to reduce taxes payable. These credits expire each year between 1995 and 2002.

7. Pension Plans

The Company has pension plans for hourly and salaried employees. During 1993 and 1994, along with the sale of business units and rationalization of operations, portions of the assets and liabilities of the pension plans were transferred outside of the Company's plans. At December 31, 1994, the estimated actuarial value of accrued pension benefits was $22.0 million (1993 – $41.2 million) and the estimated market value of the pension fund assets was $17.5 million (1993 – $36.9 million). The Company has provided for $3.5 million (1993 – $3.5 million) in connection with the pension deficit. Deferred pension costs of $2.9 million (1993 – $1.9 million) represent contributions by the Company to its pension plans in excess of amounts expensed for accounting purposes.

Quarterly Information

(Expressed in thousands of dollars)	Three months ending (unaudited) March 31	June 30	Sept. 30	Dec. 31	Total (audited)
1994					
Revenue	18,558	25,984	30,216	23,919	98,677
Earnings (loss) from continuing operations	(559)	1,470	10,364	8,669	19,944
Earnings from discontinued operations	—	—	—	500	500
Net earnings (loss) for the period	(559)	1,470	10,364	9,169	20,444
1993					
Revenue	16,170	22,321	23,666	21,265	83,422
Earnings (loss) from continuing operations	(4,964)	(1,088)	6,738	3,473	4,159
Earnings from discontinued operations	—	63,339	2,179	1,456	66,974
Net earnings (loss) for the period	(4,964)	62,251	8,917	4,929	71,133

Corporate Information

Directors

GENO F. FRANCOLINI
President
Xenon Capital Corporation(1)

P. NICHOLAS GEER
Managing Director, Vice-Chairman
The Jim Pattison Group(1)

MARK N. KAPLAN
Partner
Skadden, Arps, Slate, Meagher & Flom

EDWARD H. MEYER
Chairman, President & CEO
Grey Advertising Inc.

JAMES A. PATTISON
Managing Director, Chairman & CEO
The Jim Pattison Group

DONALD C. SELMAN
Senior Partner
Wolrige Mahon(1)

MORLEY KOFFMAN
Senior Partner
Koffman Birnie & Kalef

(1) Member of Audit Committee

Officers

P. NICHOLAS GEER
Chairman & President

NICK DESMARAIS
Secretary

Wholly-owned Subsidiary

Westshore Terminals Ltd.

Denis F. Horgan
Vice-President, Secretary & Acting General Manager

Auditors

Coopers & Lybrand
Vancouver, B.C.

Shareholder Information

Head Office

Westar Group Ltd.
1600 – 1055 West Hastings Street
Vancouver, B.C. V6E 2H2
Telephone: (604) 488-5295

Common Shares Listed (WGL)

Vancouver Stock Exchange
The Toronto Stock Exchange

Common Share Transfer Agent & Registrar

Montreal Trust Company
510 Burrard Street
Vancouver, B.C. V6C 3B9
Telephone: (604) 661-9400
Also in Calgary, Winnipeg, Toronto, Montreal

Quarterly Reports

Quarterly reports are mailed only to shareholders who have specifically asked to receive them. If you wish to receive quarterly reports please advise Montreal Trust Company at the address above.

Change of Address

In order to keep the shareholders list current, please advise Montreal Trust of any change in your address.

Westar Group

In keeping with Westar Group's environmental policy, materials used in the publication of this annual report are intended to be environmentally friendly. The stock uses recycled, acid-free fibre which may be further recycled.

Printed in Canada

AR42

WESTAR GROUP LTD.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 28, 1995

NOTICE OF MEETING AND
MANAGEMENT INFORMATION CIRCULAR

MARCH 16, 1995

Westar Group

WESTAR GROUP LTD.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the "Meeting") of Shareholders (the "Shareholders") of Westar Group Ltd. (the "Company") will be held at the Sheraton Landmark Hotel, 1400 Robson Street, Vancouver, British Columbia, on Friday, April 28, 1995 at 2:00 p.m. Vancouver time. The purpose of the Meeting is to:

1. receive the 1994 Report of the directors, the consolidated financial statements of the Company for the year ended December 31, 1994 and the auditor's report thereon;

2. elect seven directors for the ensuing year;

3. appoint the auditor and authorize the directors to fix the remuneration of the auditor;

4. consider and, if thought fit, pass with or without variation special resolutions:

   (a) consolidating the issued and outstanding Common shares and Non-Voting shares of the Company on the basis of one consolidated Common share or Non-Voting share for every 125 issued and outstanding Common shares or Non-Voting shares of the Company;

   (b) amending the Articles of the Company to eliminate the Company's ability to issue bearer share certificates in any circumstances on or after May 1, 1995;

   (c) amending the Articles of the Company to allow the Company to issue scrip to any Shareholder holding a fractional Common share or Non-Voting share interest after the consolidation;

   the text of which special resolutions is set out in Appendix 1 in the Information Circular; and

5. transact any other business which may properly come before the Meeting.

DATED at Vancouver, British Columbia, this 16th day of March, 1995.

By Order of the Board of Directors

(Signed) Nick Desmarais
Secretary

If you are a registered Shareholder of the Company and plan to attend this Meeting, please tear off the admission ticket from your proxy and bring it along with you to the Meeting. This will speed up registration at the door.

You will also note on the tear-off portion of the proxy a section referring to Quarterly Reports. If you wish to receive these reports from the Company, please enclose this section in the enclosed postage paid envelope.

If you are a registered Shareholder and are unable to attend the Meeting in person, to ensure that your shares are represented at the Meeting, please complete, sign, date and return your proxy promptly to Montreal Trust Company in the enclosed postage paid envelope. Your proxy must arrive at either Montreal Trust Company's main office in Vancouver or at the Company's corporate office in Vancouver by 2:00 p.m. Vancouver time, April 26, 1995 or not less than 48 hours prior to any adjournment of the Meeting.

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INFORMATION CIRCULAR

PROXY INFORMATION

Solicitation of Proxies

This Circular is furnished to Shareholders in connection with the solicitation by management of proxies for use at the Meeting. The solicitation will be made primarily by mail, and may also be made by personal and telephone contact with Shareholders by regular employees of the Company. The cost of management's solicitation will be borne by the Company.

Use of Proxies

By using proxies, Shareholders can participate in the voting at the Meeting, even if they cannot attend in person. The proxy form which accompanies this Circular provides Shareholders with the choice of voting for or withholding their vote on the election of management's nominees for director and the appointment of the auditor; of voting for or against authorizing the directors to fix the auditor's remuneration; of voting for or against the special resolutions to consolidate the Company's Common and Non-Voting shares and amending the Articles of the Company to eliminate the ability to issue bearer share certificates and to permit the Company to issue scrip to Shareholders holding fractional interest in consolidated shares. The two persons named in the proxy form with respect to all matters, P. Nicholas Geer and James A. Pattison, are respectively a director and officer and a director of the Company. **Shareholders may appoint some other proxyholder to attend and act on their behalf at the Meeting with respect to the matters to be considered at the Meeting by writing that person's name in the blank space provided in the proxy form. A person appointed as a proxyholder need not own shares in the Company.**

A proxy will only be valid if it is properly completed, signed, dated and delivered to Montreal Trust Company at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 or to the Company at 1600 - 1055 West Hastings Street, Vancouver, British Columbia, V6E 2H2, by 2:00 p.m. Vancouver time, on Wednesday, April 26, 1995 or not less than 48 hours prior to any adjournment of the Meeting.

Voting of Proxies

Proxies are only voted when a poll is required. A poll is a vote by written ballot which gives one vote for each registered Common share. On a vote by a show of hands, Shareholders and proxyholders present at the Meeting may indicate their support or opposition by raising a hand at the appropriate time. Each person voting on a show of hands has only one vote regardless of the number of Common shares held or represented by proxy. If the instructions contained in a proxy in the form which accompanies this Circular are certain, the Common shares represented by the proxy will be voted or withheld from voting on any poll in accordance with the instructions and, where a choice is specified, the Common shares will be voted in accordance with those specifications. **If no choice is specified, proxies in the form which accompanies this Circular will be voted in favour of each matter shown on the proxy.**

Proxies in the form solicited by management confer discretionary authority upon the applicable proxyholder to vote in respect of amendments or variations to matters identified in the Notice or on other matters which may properly come before the Meeting. Management knows of no such proposed amendments or variations nor does it know of any other matters which may properly come before the Meeting.

Revocability of Proxies

A Shareholder has the right to revoke a proxy at any time before it is exercised. A proxy may be revoked by a written revocation signed by the Shareholder or the Shareholder's authorized attorney or, where the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation. This revocation must be delivered either to the Company's registered office (1600 - 1055 West Hastings Street, Vancouver, British Columbia, V6E 2H2) at any time up to the close of business on April 26, 1995, or to the Chairman at the Meeting. If the Meeting is adjourned for any reason, these times will be extended respectively to the close of business on the business day immediately before, and the day of, the adjourned Meeting. A proxy may also be revoked in any other manner provided by law.

Principal Holders of Voting Shares

The record date for determining the Shareholders entitled to receive notice of, attend and vote at the Meeting was fixed by the directors as March 14, 1995. As at that date, there were 437,176,505 registered Common shares outstanding, each carrying the right to one vote. On the record date, the Canadian Imperial Bank of Commerce ("CIBC") held 93,273,995 Common shares representing approximately 21.34% of all the votes attached to the currently outstanding Common shares, and companies owned and controlled by Mr. Pattison held in aggregate 120,936,508 Common shares representing approximately 27.66% of all of the votes attached to the currently outstanding Common shares.

Pursuant to an agreement between two companies owned and controlled by Mr. Pattison on the one hand and CIBC on the other, the Pattison companies have voting rights over the CIBC Common shares with respect to the election of directors and certain related matters.

ELECTION OF DIRECTORS

The Articles of the Company state that the number of directors may be changed from time to time by ordinary resolution of the Shareholders, provided that such number shall not be less than three nor more than twelve. At the 1994 Annual and Special Meeting, the number of directors was fixed at seven. The board of directors presently consists of seven directors and it is intended to elect seven directors for the ensuing year. Management proposes to nominate each of the following individuals for election as a director of the Company to serve until the next annual general meeting of Shareholders or until he sooner ceases to hold office:

Name & Position	Principal Occupation or Employment[1]	Director Since	No. of Common shares[1]
P. Nicholas Geer President & Chairman	Managing Director - Vice-Chairman of The Jim Pattison Group (diversified operating group of companies); President & Chairman of the Company	April 1992	Nil
Mark N. Kaplan Director	Senior Partner of Skadden, Arps, Slate, Meagher & Flom (law firm)	April 1993	1,000

Name & Position	Principal Occupation or Employment[1]	Director Since	No. of Common shares[1]
Morley Koffman, Q.C. Director	Lawyer, Koffman Birnie & Kalef	January 1993	5,000
James A. Pattison Director	Managing Director - C.E.O. & Chairman of The Jim Pattison Group (diversified operating group of companies)	April 1992	120,936,508[2]
Donald C. Selman Director	Senior Partner of Wolrige Mahon (accounting firm)	January 1993	100
Geno F. Francolini Director	President of Xenon Capital Corporation & Lonventure Capital Fund Limited	September 1994	150,000
Edward H. Meyer Director	Chairman, President & C.E.O. of Grey Advertising Inc. (advertising agency)	September 1994	Nil

Notes:

(1) The information as to principal occupation and shares beneficially owned is not within the knowledge of the management of the Company and has been furnished by the respective nominees. The description of the principal occupation or employment of Geno F. Francolini and Edward H. Meyer is for the past five years.

(2) These shares are held by companies owned and controlled by Mr. Pattison.

Messrs. Selman, Francolini and Geer are the current members of the Audit Committee. All members of the board of directors also serve as members of the Company's Compensation Committee. The Company does not have an Executive Committee.

Advance notice of the Meeting inviting nominations for directors of the Company required by the British Columbia Company Act was delivered to the Superintendent of Brokers of British Columbia and to the Vancouver Stock Exchange and was published in the Vancouver Sun newspaper on Monday, February 27, 1995. No written nominations were received by the Company.

Executive Compensation

During the last completed financial year, the Company had two executive officers. The Chairman and President, P. Nicholas Geer, received no cash compensation during 1994 from the Company for services rendered during that year. The other executive officer, the Senior Vice-President, Finance and Chief Financial Officer, Robert F. Chase received $118,265 for services rendered during 1994.

The following table provides a summary of compensation earned for the periods indicated by the two executive officers of the Company:

		Annual Compensation		Long-Term Compensation Awards	
Name & Principal Position	Year	Salary ($)	Bonus ($)	Securities Under Options (#)	All Other Compensation ($)
P. Nicholas Geer[(1)]	1994	Nil	Nil	Nil	Nil
Chairman & President	1993	Nil	Nil	Nil	Nil
(Appointed January 1, 1993)					
Robert F. Chase[(2)]	1994	118,265	Nil	Nil	480,000
Senior Vice-President,	1993	185,000	55,000	Nil	Nil
Finance & Chief Financial Officer	1992	185,000	55,000	200,000	Nil

Notes:

(1) The services of Mr. Geer are provided to the Company pursuant to a management services agreement between the Company and Jim Pattison Industries Ltd. ("JPIL") and which is referred to under the heading "Management Contract" described below. JPIL is a company owned and controlled by Mr. Pattison. Mr. Geer received no compensation from the Company.

(2) Mr. Chase left the Company effective July 31, 1994 and was paid a severance allowance of $480,000, being equal to two years salary and bonus. Mr. Chase's stock options totalling 515,000 Common shares under option, expired unexercised on August 30, 1994. Benefits were accrued for Mr. Chase under the Company's pension plan in respect of his services in 1994. Benefits under the plan are determined by multiplying the employee's years of service by 1.75% of the average of his final five years compensation, less an adjustment for the Canada Pension Plan. At the time of departure from the Company, Mr. Chase had attained 15.5 years of credited service, and the commuted value of Mr. Chase's pension plan was approximately $360,000 as of July 1, 1994. There are no executive officers who are currently members of the plan.

No stock options were granted or exercised during the financial year ended December 31, 1994.

Composition of the Compensation Committee

The Compensation Committee comprises the entire board of directors, other than in matters concerning the management contract between the Company and JPIL, which in such cases Messrs. Pattison and Geer abstain from deliberations and voting.

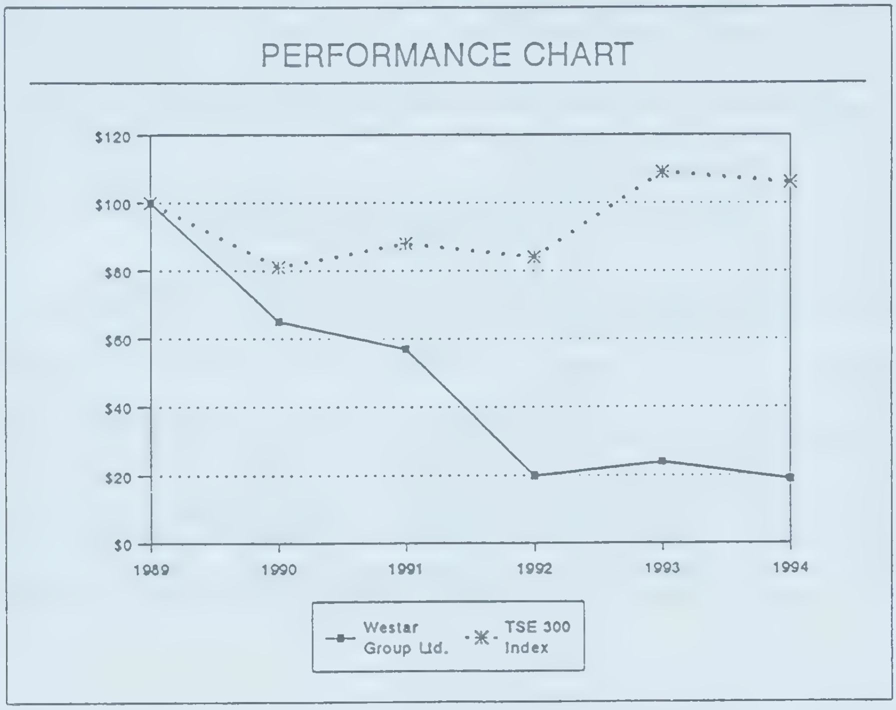
Report on Executive Compensation

During 1994, the Compensation Committee negotiated the severance arrangements with Mr. Chase.

In 1994, the Company's compensation program for senior personnel at Westshore Terminals Ltd. ("Westshore") was administered by the Chairman and President of the Company. The Company's compensation policy is to provide senior Westshore personnel with a compensation package of base salary and benefits and performance based incentive compensation pursuant to a related compensation plan. Salary ranges are set based on, among other things, the responsibility, skills and experience required to function in the position occupied by senior personnel as well as a comparison with amounts paid to employees of comparable corporations.

Performance Graph

The following graph compares the yearly percentage change in the cumulative shareholder return over the last five years on the Common shares with the cumulative total return of The Toronto Stock Exchange 300 Stock Index. This graph has been prepared on the basis that Shareholders did not exercise or sell Rights issued to them at no cost pursuant to a Rights Offering more fully described in a prospectus of 461847 British Columbia Ltd. dated July 7, 1994. These Rights traded at prices between $0.13 and $0.08. Shareholders who participated in the Rights Offering and acquired Adjusting Balance Notes of the Company also received 1.166666666 Common shares of the Company for no additional consideration.



Director's Compensation

During the year ended December 31, 1994, the Company paid directors' fees to each director of the Company (other than Messrs. Pattison and Geer) of $5,000 per annum and $750 for meeting attendance fees, with an additional $250 payable to any director who travels through two or more time-zone changes from his usual residence to the meeting location. An additional $300 was paid for each directors' or committee meeting following a prior directors' or committee meeting held on the same day. An additional one time fee of $10,000 was paid to Mr. Selman for his services as Chairman pro tempore of the board of directors relating to the Company's debt restructuring efforts during 1994 and similarly an additional $5,000 was paid to each director (other than Messrs. Geer & Pattison) for their work on this matter. During 1994, the accounting firm of Wolrige Mahon, of which Mr. Selman is a partner, provided accounting services to the Company.

Stock Option Plan

The Company has a stock option plan for selected officers and employees of the Company and its subsidiaries. Non-transferable options to subscribe for unissued Common shares may be granted under the plan to participants approved by the board of directors. The date of grant, number of shares optioned and the term of each option (not to exceed in any case ten years) are also determined by the board of directors. The first 20% of the options granted can be exercised upon the expiration of each of the four years thereafter, unless otherwise approved by the board of directors. The option price is normally the closing price of the Common shares on The Toronto Stock Exchange on the trading day immediately preceding the day an option is granted. Options totalling 515,000

Common shares granted to Mr. Chase expired unexercised on August 30, 1994. In addition, 170,000 options granted to the former President of Westshore expired unexercised on October 30, 1994, after his departure from Westshore on September 30, 1994. As of March 16, 1995, there are 10,000 remaining options held by the Vice-President and Secretary of Westshore at an option price of $1.00 per share and which are set to expire on March 13, 1997.

No stock options were granted or exercised during the year ended December 31, 1994.

Management Contract

Since January 1, 1993, the Company has been managed by JPIL, which provides the Company with the services of Mr. Geer as the Company's Chairman and President, and a full range of administrative, management, supervisory and advisory support personnel and services. Mr. Geer receives no compensation from the Company and as he provides management services to many other companies and does not receive compensation primarily in respect of services to the Company, consequently there is no basis for allocating the amounts payable under the Company's agreement with JPIL. Specifically, the services provided to the Company by JPIL include general management advice and supervision with respect to:

(a) supervision and general management of the Company and Westshore;

(b) advising on the engaging and discharging of the senior management at Westshore;

(c) routine legal advice of the nature generally provided "in-house" for the Company and Westshore;

(d) liaison with the solicitors and auditors of the Company and other professionals for the Company and/or Westshore;

(e) supervision of the preparation of the consolidated budgets and consolidation of all financial results;

(f) supervision of insurance, banking, financing and planning of the Company and Westshore;

(g) advice on acquisitions and sales;

(h) general shareholder relations services;

(i) advising regarding the Company's obligations as a public company, including filing with, and reports to, regulatory authorities; and

(j) provision of such other services as JPIL and the Company may agree from time to time.

Pursuant to the management services agreement the Company paid a management fee of $1.2 million during 1994.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

No insider, proposed nominee for election as a director, or any associate or affiliate of the foregoing, had any material interest, direct or indirect, in any transaction or proposed transaction with the Company since January 1, 1994 which has materially affected or would materially affect the Company or its subsidiary, other than:

(a) payments pursuant to the management services agreement referred to under "Management Contract";

(b) the restructuring of the Company's indebtedness in the amount of approximately $220,000,000 to 461847 British Columbia Ltd., 50% of the shares of which were owned by companies controlled by Mr. Pattison, the background of which transaction and the review and approval process related thereto were fully described in the information circular (the "1994 Circular") prepared in connection with the meeting of Shareholders of the Company held on June 30, 1994; and

(c) the refinancing of Westshore's indebtedness by way of $75,000,000 facilities (the "Facilities") provided by three Canadian chartered banks, one of which is CIBC. The refinancing has provided more conventional and appropriate financing for the senior debt of Westshore. Another lender provided its commitment first to Westshore and CIBC subsequently agreed to participate in the Facilities on the same terms as agreed with the initial lender. None of the Company's directors or officers is related to CIBC.

APPOINTMENT AND REMUNERATION OF AUDITOR

Management proposes that Coopers & Lybrand, Chartered Accountants, be reappointed as the auditor of the Company. Management also proposes that the directors be authorized to fix the remuneration of the auditor.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Consolidation of Shares

On March 16, 1995, the board of directors approved the consolidation of the Common shares and Non-Voting shares on a 125 for one basis (the "Consolidation"), subject to the approval of the Shareholders of the Company at the Meeting. The Toronto Stock Exchange and the Vancouver Stock Exchange (the "Exchanges") have granted conditional approval for the Consolidation, subject to the filing of customary documentation. The text of the proposed special resolutions relating to the consolidation is set out in Appendix 1. **The board of directors recommends Shareholder approval of the Consolidation.**

(i) Consolidation

Shareholders will be requested to consider and, if thought fit, approve a special resolution to alter the Company's memorandum by consolidating the issued Common shares and Non-Voting shares on a 125 to 1 basis. This special resolution will not be effective unless approved by at least 75% of the votes cast at the Meeting in person or by proxy by holders of Common shares of the Company.

If approved by the Shareholders, the special resolution to amend the Company's memorandum is expected to be filed with the Registrar of Companies on April 28, 1995 whereupon the Consolidation will become effective. The Letters of Transmittal referred to below will be sent to Shareholders immediately thereafter. It is expected that the Common shares will commence trading on the Exchanges on a consolidated basis on or about May 3, 1995.

Montreal Trust Company, the transfer agent for the Common shares, has agreed to act as exchange agent (the "Exchange Agent") for the Consolidation to administer the exchange of the pre-consolidated Common shares and the payment of cash or the issuance of scrip in lieu of the issuance of fractional interests.

Letters of Transmittal will be mailed to holders of Common shares following the effective date of the Consolidation. Share certificates representing pre-consolidated Common shares (or Non-Voting shares) should then be sent by the Shareholders to the Exchange Agent, together with a completed Letter of Transmittal, in exchange for share certificates representing consolidated Common shares (or Non-Voting shares, as the case may be). Except for postage required to return the Letter of Transmittal and the pre-consolidated Common share certificates (or Non-

Voting share certificates) to the Exchange Agent, the cost of exchanging pre-consolidated Common shares (or Non-Voting shares) for consolidated Common shares (or Non-Voting shares) will be borne by the Company.

Any person who is a registered holder of a number of pre-consolidated Common shares which is not evenly divisible by 125 shall not be entitled to receive a fractional consolidated Common share following the Consolidation. The Shareholder shall have the right to elect to receive cash for the value of the fractional interests or to be issued scrip by completing the portion of the Letter of Transmittal providing for such election. If no election is made in a Letter of Transmittal which is returned to the Exchange Agent, the Shareholder will be deemed to have elected to have received cash for any fractional interest. The price to be paid in cash for a fractional interest shall be based on the average closing price of the Common shares on The Toronto Stock Exchange in the 20 trading days following the Company's announcement of the proposed Consolidation. Payment will be made upon the surrender by or on behalf of the registered holder of a certificate or certificates representing pre-consolidated Common shares.

As an alternative to receiving cash for fractional interests, a holder of registered pre-consolidated Common shares will be entitled to receive a scrip certificate representing one unit of scrip per pre-consolidated Common share. Scrip certificates will be in bearer form and will entitle the holder thereof upon surrender of certificates representing 125 units to receive one consolidated Common share. Scrip certificates will not entitle the bearer to voting rights or any other rights of a Shareholder of the Company or otherwise except the right to receive one consolidated Common share per 125 units of scrip. No dividends will be payable in respect of scrip certificates or the interests represented thereby, and all rights to which a bearer of a scrip certificate is entitled will be transferable by delivery of the scrip certificate. In order to more fully provide for the issuance of scrip certificates, it is proposed that the Articles of the Company be amended to provide for the issuance of scrip certificates as set out in Appendix 1.

Holders of bearer share certificates will be entitled upon delivery of their certificates as described below to receive cash or scrip in respect of the shares represented by such certificates. Alternatively, a holder of bearer share certificates representing 125 pre-consolidated shares or a multiple thereof may elect to receive instead the appropriate number of registered consolidated Common shares. Following the Consolidation no further bearer share certificates will be issued by the Company in any circumstances. It is proposed that the Articles be amended to eliminate the Company's ability to issue bearer share certificates as set out in Appendix 1.

There will be no market for scrip certificates and there is no assurance that a holder of one or more scrip certificates will be able to locate or acquire other scrip certificates in order to obtain 125 units of scrip or a multiple thereof so as to acquire one or more consolidated Common shares. Furthermore, if a person acquires a small number of consolidated Common shares by accumulation of scrip certificates, it may not be practicable for the person to sell those shares or to realize proceeds sufficient to cover transaction costs in relation to the sale. Accordingly, Shareholders should consider the advantages of receiving cash for fractional interests.

After receiving Letters of Transmittal in early May, 1995, registered Shareholders should return their Letters of Transmittal and share certificates and direct any inquiries they may have to Montreal Trust Company, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9, telephone number (604) 661-9400, or to the principal office of Montreal Trust Company in Toronto, Montreal, Winnipeg or Calgary. Shareholders holding bearer share certificates must deliver their share certificates in person to 2nd Floor, 955 West Broadway, Vancouver, British Columbia, V5Z 1K3, telephone number (604) 730-1571 for payment of cash or receipt of scrip. Neither the Company at its registered office nor Montreal Trust Company will handle inquiries or process requests for cash or scrip from Shareholders holding bearer share certificates with respect to this matter.

Management of the Company reserves the right not to proceed with the Consolidation if on or before the date of the Meeting, management believes that the costs involved in the Consolidation would be materially greater than are currently estimated.

(ii) Considerations Relating to Consolidation

In addition to the market related reasons described below to proceed with the Consolidation, the board of directors believes that there is a significant saving to be realized by the Company with a reduced shareholder base which is more in line with companies of comparable market capitalization. With an 88,000 registered shareholder base, annual expenses for transfer agent fees and printing and mailing costs of publicly disseminated materials have averaged over $450,000 per year in the past two years. After the Consolidation, these costs are expected to decrease substantially.

In approving the Consolidation, the board of directors concluded that while there is no assurance that the market price of a Common share will increase by 125 times as a result of the Consolidation, an increase in that range would be a likely result of the Consolidation. The board of directors believe that the relatively low per share market price of the Common shares may impair the acceptability of the Common shares to certain institutional investors and other members of the investing public. Theoretically, the number of shares outstanding should not, by itself, affect the marketability of the shares, the type of investor who acquires it, or the Company's reputation in the financial community. In practice this is not necessarily the case, as certain investors view low-priced shares as unattractive and will not have access to margin credit on shares trading at low prices, although certain other investors may be attracted to low-priced shares because of the greater trading volatility sometimes associated with such securities. Many brokerage houses are reluctant to recommend lower-price shares to their clients or to hold them in their own portfolios. Further, a variety of brokerage house policies and practices discourage individual brokers within those firms from dealing in low-priced shares because of the time-consuming procedures that make the handling of low-priced shares unattractive to brokerage houses from an economic standpoint.

Because the broker's commissions on low-priced shares generally represent a higher percentage of the share price than commissions on higher priced shares, the current share price of the Common shares can result in individual Shareholders paying transaction costs (commissions) which are a higher percentage of the share price than would be the case if the share price were substantially higher. This factor is also believed to limit the willingness of institutions to purchase the Common shares at their current relatively low per share market price.

The board of directors believe that the decrease in the number of Common shares (and Non-Voting shares) outstanding as a consequence of the Consolidation and the resulting anticipated increased price level will encourage greater interest in the Common shares by the financial community and the investing public and may promote greater liquidity for the Company's Shareholders, although it is possible that such liquidity could be affected adversely by the reduced number of shares outstanding after the Consolidation. Management expects that the Consolidation will increase proportionately the Company's earnings per share. Although any increase in the market price of the new Common shares resulting from the Consolidation may be proportionately less than the decrease in the number of shares outstanding, the Consolidation could result in a market price for the shares that would be high enough to overcome the reluctance, policies and practices of brokerage houses and investors referred to above and to diminish the adverse impact of correspondingly high trading commissions on the market for the shares.

There can be no assurance, however, that the foregoing effects will occur or that the market price of the consolidated Common shares immediately after implementation of the Consolidation will be maintained for any period of time, that such market price will be approximately 125 times the market price before the Consolidation, or that such market price will exceed or remain in excess of the current market price.

(iii) Income Tax Consequences

The following is a summary of the Canadian federal income tax consequences of the Consolidation generally applicable to Shareholders who, for purposes of the Income Tax Act (Canada) (the "Tax Act"), are residents of Canada and hold their pre-consolidated shares as capital property. This summary is based on the current provisions of the Tax Act, the regulations thereunder, the Income Tax Application Rules, 1971 ("ITAR"), all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by the Minister of Finance prior to the date

hereof and the published statements of Revenue Canada Taxation concerning its administrative policies and practices. This summary does not take into account or anticipate future changes in law, whether by way of judicial decision or legislative or executive action, nor does it take into account provincial, territorial or foreign tax legislation or considerations.

This summary is of a general nature only and is not intended to constitute, nor should it be construed as, legal or tax advice to any particular Shareholder.

For the purposes of the Tax Act, Shareholders will not be considered to have disposed of their pre-consolidated Common shares as a result of receiving consolidated Common shares on Consolidation.

However, to the extent that a Shareholder receives cash in lieu of a fractional consolidated Common share, such Shareholder will be regarded as having disposed of an appropriate number of pre-consolidated Common shares ("Cash Shares") to the Company. As the cash received by a Shareholder in lieu of a fractional consolidated Common share will not exceed the paid-up capital in respect of his Cash Shares, such Shareholder will be deemed to have received proceeds of disposition equal to the cash received and, therefore, to have realized a capital gain or loss equal to the amount by which such cash received exceeds or is less than the adjusted cost base to the Shareholder of his Cash Shares. The aggregate cost of the consolidated shares received by such Shareholder would be equal to the aggregate adjusted base cost of such Shareholder's pre-consolidated shares, less the adjusted cost base of the Cash Shares.

Alternatively, Revenue Canada Taxation administratively provides that a Shareholder who, in lieu of a fractional consolidated Common share, receives cash of which the total amount does not exceed $200, may, if he desires, reduce the adjusted cost base of the consolidated shares received by such amount rather than reporting the capital gain or loss on the partial disposition. Accordingly, the aggregate cost of the consolidated shares received by such Shareholder would be equal to the aggregate adjusted cost base of such Shareholder's pre-consolidated shares, less the amount of cash received in lieu of a fractional consolidated share. This administrative treatment is only available to Shareholders who receive one or more consolidated Common shares.

Management knows of no matters to come before the Meeting other than those referred to in the notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

APPROVAL OF DIRECTORS

The contents of this Circular and the sending, communication or delivery thereof to Shareholders have been approved and authorized by the board of directors of the Company.

DATED at Vancouver, British Columbia, this 16th day of March, 1995.

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Nick Desmarais
Secretary

APPENDIX 1

A. **RESOLVED**, as a special resolution, that:

a) the 447,444,220 issued and outstanding Common shares without par value in the capital of the Company be consolidated into 3,579,553.760 Common shares without par value, every 125 issued and outstanding Common shares before consolidation being consolidated into one share;

b) the 195,867,874 issued and outstanding Non-Voting shares without par value in the capital of the Company be consolidated into 1,566,942.992 Non-Voting shares without par value, every 125 issued and outstanding Non-Voting shares before consolidation being consolidated into one share; and

c) paragraph 2 of the Memorandum be altered to read:

> "The authorized capital of the Company consists of 561,834,202.752 shares divided into 256,135,133.76 Common shares without par value, 155,699,068.992 Non-Voting shares without par value having attached thereto the special rights and restrictions set out in Part 26 of the Articles of the Company and 150,000,000 Preference shares with a par value of $1.00 each having attached thereto the special rights and restrictions set out in Part 27 of the Articles of the Company."

B. **RESOLVED**, as a special resolution, that the Articles of the Company be amended as follows:

(a) by deleting the period at the end of Article 3.3 and adding the following:

"; provided that no bearer share certificate shall be issued in any circumstances on or after May 1, 1995."

so that Article 3.3 reads as follows:

"3.3 The company may issue bearer share certificates in such denominations and in such form as the directors may determine certifying that the bearer of the certificate is the holder of the shares of the company specified in it and may provide, by legend, coupon or otherwise as the directors may determine, for the payment of dividends on the shares specified in the certificate; provided that no bearer share certificate shall be issued in any circumstances on or after May 1, 1995."

(b) by deleting Articles 3.4 and 3.5; and

(c) by adding the following additional clause as Article 8.2:

"8.2 (a) Upon any consolidation of its shares the Company may issue, in lieu of fractional shares which would otherwise arise in connection with such consolidation, scrip certificates representing fractional interests in shares. Scrip certificates shall entitle the bearer to receive a fully paid registered share upon surrender of certificates representing the number of units of scrip per share determined by the directors prior to the consolidation becoming effective.

(b) Scrip certificates shall be in such a form as is approved by the directors from time to time. The bearer of a scrip certificate shall not be entitled to voting rights or any other rights of a member, and no dividends shall be payable or shall accrue in respect of scrip certificates or the interests represented thereby.

(c) The directors may by resolution determine the manner in which certificates representing shares which would otherwise be consolidated into fractional shares are to be delivered to the Company or its agent in exchange for scrip certificates, and any resolution so made shall be valid and binding upon all members of the Company."

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